

May 19, 2006

Maine Milk Commission Special Meeting Minutes
Deering Building, Room 233
Augusta, Maine 04333

Notices for the May 19, 2006 meeting were distributed to Commission members, intervenors and other interested parties April 21, 2006 and sent to the Secretary of State's Office for posting on April 21, 2006.

Commission Present: Chair, Michael Wiers, Katherine O. Musgrave, Colon Durrell and Shelley Doak *ex-officio*.

Commission Absent: John Joseph, Jr.

Department Officials: None

Staff Present: Stanley Millay, Executive Director, and Carol Gauthier administrative assistant

Legal Counsel: Lucinda White, Assistant Attorney General

Intervenors Present: John Blake, H.P. Hood, Inc., Thomas Brigham, Oakhurst Dairy and John Economy from Garelick Farms of Maine.

Others Present: Dale Cole, Galen Larrabee, Chuck Farrand, Fred Hardy and Julie-Marie Bickford from the Maine Dairy Industry Association (MDIA). Also present were Dr. George Criner and Dr. Timothy Dalton both from the University of Maine.

Meeting called to order at 2:10 P.M. by chair, Michael Wiers.

Agenda Item 1: Minutes: Katherine Musgrave made a motion to accept the minutes of the April 21, 2006 meeting. Shelley Doak seconded. Motion passed 4-0.

Agenda Item 2: Lucinda White, Assistant Attorney General: No report.

Agenda Item 3: Minimum Prices: The prevailing premium is \$1.10/cwt on Class I for June 2006 reported by Dairy Marketing Services (DMS). Agri-Mark Cooperative reported \$0.90/cwt on Class I outside of Maine but reported that they continue charging their Maine customers \$1.10/cwt.

There is a Farm Bill Counter Cyclical Payment (MILC) for June 2006 of \$0.9996. Congress has reauthorized the MILC program at a reduced rate: (34% of \$16.94 minus the Class I Price).

Julie-Marie Bickford told the Commission that fuel prices, and costs related to fuel, were increasing and putting a bigger burden on dairy farms.

Dr. Dalton agreed that fuel costs had gone up since the producer margin study had been completed, but pointed out that some costs, such as delivery costs of corn, had actually gone down. He went on to explain that at the current support level, most producers were at the short-run breakeven tier. He stated that the larger Maine farms, which are not eligible for Federal MILC payments, could be below cost recovery.

Stan Millay presented a summary of the cost of production adjustments that have been made since 2001 and also provided information about the amount of money received by producers due to prevailing premiums and from the Maine Milk Pool.

Shelley Doak made a motion to adopt price schedule #06-06 as presented with a \$14.00/cwt Class I Price, plus \$0.95/cwt as a cost of production adjustment, plus \$1.10/cwt as prevailing in Southern New England, plus \$1.40/cwt for a handling fee and plus a \$0.20/cwt processor assessment, for a total dealer Class I cost of \$17.65/cwt. Colon Durrell seconded.

Dr. Dalton stated that when prevailing premiums and MILC were considered, the three tier levels of farms were receiving or exceeding the short-run breakeven amount established for their category.

Julie-Marie Bickford pointed out that the increasing retail prices of milk in the supermarkets during periods of low farm milk prices were frustrating because the large profits at retail do not help the producer at all.

Fred Hardy told the Commission that retail always gets a return of money but there is not way to get any of this profit to the producer.

John Blake asked the Commission to consider the impact on processors of increasing their costs. He said that there already existed a large difference in prices outside of Maine.

Motion passed 4-0.

Agenda Item 4: Maine Monthly Price Survey: The Commission reviewed the Maine price survey for April 2006 which included prices for Augusta and Bangor. They also reviewed the IAMCA price surveys for February and March.

Agenda Item 5: Next Scheduled Meetings:

- June 23, 2006, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources
Augusta, Maine
- July 21, 2006, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources
Augusta, Maine
- August 21, 2006, Monday 10:00 a.m.
Room 233, Department of Agriculture, Food & Rural Resources
Augusta, Maine
- September 22, 2006, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources
Augusta, Maine
- October 20, 2006, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources
Augusta, Maine

Agenda Item 6: Other:

1. **Milk Commission Budget:** The Commission Reviewed income and expenditures.
2. **Dealer Margins Producer Margins:** Dr. Criner up-dated the Commission on the Dealer margin study. He reported that a survey has been sent to each processor and that He, Dr. Dalton and Stan Millay had met briefly with representatives from Oakhurst Dairy and H.P. Hood both of which have processing facilities in Portland and with a representative from Garelick Farms of Maine with a processing facility in Bangor. Plant costs will be assembled and the data analyzed. Updates will be provided to the Commission monthly. A final report will be completed by fall. Dr. Dalton informed the Commission that some of the data that he had mentioned earlier in the meeting was from the producer cost study extension. More updates will be forth coming at the next few Commission meetings.
3. **H.P. Hood Promotion.** Stan Millay presented the Commission with an overview of an on going H.P. Hood milk promotion that allows schools that wish to participate to collect specially marked milk jug caps for redemption (5 cents per cap) up to \$10,000 per school. The promotion runs from May 15, 2006 through October 31, 2006. Participating schools currently include schools in Maine, New Hampshire, Vermont, Massachusetts, Connecticut and Rhode Island. The school collecting the most caps wins a visit from the Boston Red Sox.

Lucinda White expressed concern that on at least two previous occasions, similar promotions by two other Maine dairies (i.e. each potentially impacting the dealer's minimum price) were denied. She stated that this new Hood promotion had only been brought to the attention of the Commission staff in the past few days and that there was not yet enough information to form a legal opinion.

Shelley Doak questioned whether or not the Milk Commission law about practices destructive of minimum prices applied to this promotion. Michael Wiers stated that he did not have enough information to see how this promotion violated the statute.

John Blake explained to the Commission that he only recently learned of this promotion himself, but that the promotion was a third party transaction with no below minimum milk price sales at either wholesale or retail. He stated that the promotion is a transaction between H.P. Hood and participating schools and does not in any way violate Maine's schedule of minimum prices.

Dr. Criner suggested exploring the possibility of including some promotion costs in the minimum prices at some future time.

Lucinda White told the Commission that non brand specific promotions where cereal and cookie companies pay for reductions in milk prices are ok, but in instances where the milk processor bears the costs there may be times when the minimum wholesale price may be defeated. She said that the Commission has not historically audited what is happening at wholesale i.e. how much over or under minimum price the wholesale price is, although it has the authority to do so.

The Commission asked Lucinda to study the situation and report back to them with suggestions.

Agenda Item 7: Executive Session: The Commission did not go into Executive Session. Adjourned: 3:35 P.M

Stanley Millay, Executive Director, Maine Milk Commission.